

Message Text

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PASS TREASURY FOR ASSISTANT SECRETARY WALKER

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: GERMAN CORPORATE TAX REFORM

REF: BONN 1130

1. BAUDLER, ACCOMPANIED BY REPRESENTATIVES OF AMERICAN FIRMS IN GERMANY, CALLED ON EMBASSY TODAY FOR DISCUSSIONS OF CORPORATE TAX REFORM. BAUDLER SAID THAT AMERICAN CHAMBER HAS GAINED THE IMPRESSION THAT DURING RECENT WEEKS GERMAN INDUSTRY AND POLITICIANS HAVE DEVELOPED SECOND THOUGHTS CONCERNING EFFECT OF THE PROPOSED CORPORATE TAX REFORM ON BOTH INDIVIDUAL FOREIGN SHAREHOLDERS IN GERMAN FIRMS AND FOREIGN DAUGHTER COMPANIES IN GERMANY. THE CHAMBER FEELS THAT GERMAN GOVERNMENT UNDER PRESSURE TO FIND SOME WAY OF AMELIORATING THESE EFFECTS THROUGH CHANGES IN DOUBLE TAXATION TREATIES. BUNDESTAG COMMITTEES ARE NOW PUSHING AHEAD ON CORPORATE TAX REFORM WHICH IS EXPECTED TO BE ENACTED QUICKLY.

2. THE CHAMBER ALSO RAISED THE NEW DOUBLE TAXATION CONVENTION BETWEEN THE US AND THE UK NEGOTIATED TO AMELIORATE SOME OF THE EFFECTS OF BRITISH CORPORATE

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TAX ON AMERICAN COMPANIES AND INQUIRED WHETHER THE

US WILL SEEK A RENEGOTIATION OF THE US/GERMAN DOUBLE TAXATION CONVENTION AFTER THE ENACTMENT OF THE GERMAN CORPORATE TAX REFORM.

3. BAUDLER INQUIRED AS TO THE RESULTS OF THE WALKER/OFFERGELD MEETING AND WHETHER EITHER OFFERGELD OR WALKER HAD RAISED THE SUBJECT OF MODIFYING US/ GERMAN DOUBLE TAXATION AGREEMENT TO AMELIORATE EFFECTS OF PROPOSED CORPORATE TAX REFORM. WE TOLD BAUDLER THAT WE ARE UNAWARE OF WHAT HAD TRANSPRIRED AT WALKER/OFFERGELD MEETING. IT HAD BEEN OUR UNDER-STANDING THAT OFFERGELD WAS PLANNING TO RAISE QUESTION OF PREFERENTIAL DIVIDEND WITHHOLDING (15 PERCENT) IN US/GERMAN DOUBLE TAXATION TREATY AND WE WERE NOT AWARE OF SECOND THOUGHTS IN GERMAN GOVERNMENT CONCERNING EFFECT OF REFORM ON US DAUGHTER COMPANIES. WE PROMISED TO BE IN TOUCH WITH CHAMBER AS SOON AS WE RECEIVED ADVICE FROM WASHINGTON ON THE QUESTION OF MODIFYING DOUBLE TAXATION TREATY.

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Message Attributes

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